# ACKLANDS LIMITED ANNUAL REPORT 1969



## A Canadian company . . .

The story of Acklands Limited, like that of many another successful enterprise, was written in two chapters: the founding years of modest beginnings and a later period of ambitious expansion and rapid growth.

Acklands was born in western Canada in the days of the pioneers nearly a century ago. Dudley Ackland and his son, who set up shop in Winnipeg in the 'eighties, had a motto: "Go where your customer is and supply him with what he needs . . . fast!" It is this basic concept of service which still governs the vast Acklands organization of today and which, to a large measure, accounts for its growth and success.

The second chapter began in 1959 when Leonard Wolinsky and Hyman Bessin launched the firm on a program of developing a nationwide wholesale chain for the distribution of automotive, hardware and industrial goods. Acklands' activities and inventories have since then become widely diversified, offering the firm's thousands of customers over 60,000 different items of merchandise.

Through a policy of selective acquisitions Acklands has at the same time expanded into related fields, absorbing and merging all these acquisitions into one integrated merchandising organization, with each component adding to the service strength of the whole.

All parts of the Acklands organization are linked by an efficient internal communications system and are assisted by a large central computer installation.

An organization of such diverse scope and activities obviously needs competent and imaginative management. Through a thorough training program which builds on the foundation of years of on-the-job experience, Acklands has been able to develop a highly effective executive team. Top management is recruited mainly from within the organization, a policy which strengthens loyalties and confidence among the company's staff.

## . . . controlled by Canadians

**ACKLANDS LIMITED** and subsidiary companies

# Highlights

| | 1969 | 1968 |
|---|---|---|
| **Sales** | $134,900,759 | $116,705,941 |
| Earnings for the year | | |
| Including extraordinary items | 3,175,441 | 3,370,290 |
| Before extraordinary items | 1,496,561 | 1,508,832 |
| Working capital | 31,780,684 | 30,020,858 |
| Fixed assets, net | 13,277,802 | 13,544,421 |
| Long-term debt | 18,650,778 | 19,291,258 |
| Shareholders' equity | 28,251,365 | 25,712,315 |
| **Total assets** | 89,082,345 | 80,339,578 |
| Dividends paid | | |
| Preference shareholders | 411,214 | 202,110 |
| Common shareholders | 356,615 | 170,354 |
| Earnings per share (see note) | | |
| Including extraordinary items | | |
| Basic | 1.12 | 1.29 |
| Fully diluted | .98 | 1.18 |
| Before extraordinary items | | |
| Basic | .44 | .53 |
| Fully diluted | .51 | .55 |
| Dividends paid per common share | .24 | .16 |
| **Equity per share** (combined common and third preference shares) | 8.66 | 7.67 |
| Number of branches | 211 | 204 |

**Notes**

I. The calculation of basic earnings per share has been made using the weighted monthly average number of common and third preference shares outstanding in each year and the net income of the company, both before and including extraordinary items, and after first and second preference share dividends.

II. In calculating fully diluted earnings per share, the weighted monthly average number of common and third preference shares outstanding in each year, has been calculated assuming
(a) full conversion of the convertible debentures and second preference shares on the dates of issue, and
(b) the exercising of the outstanding common share purchase warrants on the dates of issue.

Net income used in this calculation, both before and including extraordinary items, reflects a reduction in interest costs and the related effect on income taxes resulting from the above assumptions.

## DIRECTORS and OFFICERS

| | |
|---|---|
| *HYMAN BESSIN, | *President* |
| JOHN J. DAWSON, | *Vice-President, Ontario* |
| *GEORGE FORZLEY, | *Senior Vice-President and General Manager* |
| HENRY R. B. KIRKPATRICK, | *Vice-President, British Columbia* |
| *NATHAN STARR, *C.A.*, | *Executive Vice-President and Secretary-Treasurer* |
| *LEONARD WOLINSKY, | *Chairman of the Board* |

## Other DIRECTORS

| | |
|---|---|
| DONALD E. BOXER, *B.Comm., M.B.A.* | *Investment Dealer, Director, Burns Bros. and Denton Limited, Toronto* |
| MICHAEL H. CAINE, | *Director, Booker McConnell Ltd., London, England* |
| PHILIP ASHDOWN, *B.A., LL.B., M.B.A.* | *Barrister and Solicitor, Winnipeg, Manitoba* |
| DR. NATHAN SCHECTER, *B.Sc., M.D., C.R.C.P.(C), F.A.C.P., F.I.C.A.*, | *Physician and Surgeon, Ottawa, Ontario* |
| *DONALD J. WILKINS, | *Chairman of the Board, Fry and Company Limited, Toronto* |
| JOSEPH WOLINSKY, | *Winnipeg, Manitoba* |
| MAX WOLINSKY, *B.A., LL.B., Q.C.*, | *Barrister and Solicitor, Winnipeg, Manitoba* |

**Members of Executive Committee*

## Other OFFICERS

DONALD J. DAWSON,
*Vice-President, Manitoba*

ALEX KOZMA,
*Vice-President, Saskatchewan*

NORMAN A. PEDEN,
*Vice-President, Alberta*

LEONARD G. WALKER, *C.A.*,
*Assistant-Secretary-Treasurer*

MELVILLE BYRON,
*Vice-President, Electronics and Consumer Goods*

SAMUEL H. BLANK,
*Vice-President, Director of Purchasing*

ARTHUR ERAMIAN,
*Vice-President, Automotive*

ALLAN IRELAND,
*Assistant to the Senior Vice-President, Inventory Control*

ARNOLD GLASS, *B.Comm., C.A.*,
*Comptroller and Assistant Secretary*

### TRANSFER AGENTS and REGISTRARS

First Preference Shares and Common Shares, THE CANADA TRUST COMPANY, *Vancouver, Winnipeg, Toronto and Montreal*

Second Preference Shares Series A and 7½% Series A Debentures, THE CROWN TRUST COMPANY, *Vancouver, Winnipeg, Toronto and Montreal*

Third Preference Shares are transferable only on the books of the company at Winnipeg.

### COUNSEL
Sokolov, Wolinsky and Company, Winnipeg

### AUDITORS
Thorne, Gunn, Helliwell & Christenson

### HEAD OFFICE:
125 Higgins Avenue, Winnipeg 2, Manitoba

### FISCAL AGENTS
Fry and Company Limited, Toronto

### LISTINGS
Toronto, Vancouver and Winnipeg Stock Exchanges

### EXECUTIVE OFFICE:
Suite 324, 12 Richmond Street East, Toronto 210, Ontario

# Report to the shareholders

**1969** was a year of great effort in organizing and consolidating your company's overall operations. Your directors are pleased to report that these objectives have been attained by the company's able management and Acklands stands today as one of Canada's largest wholesale distributing organizations.

Apart from successfully completing the integration of all Ashdown operations, management was able to improve further the company's efficiency and maintain its momentum of growth in sales and gross profits. This was achieved through internal expansion and the consolidation of company operations.

No major corporate acquisitions were made in 1969 following a policy laid down by your board of directors early in that year. The timeliness and wisdom of this decision has been proven by subsequent events, particularly by the tight money and high interest situation which developed during 1969 and which is still with us. These conditions increased Acklands' interest costs by approximately $700,000 in 1969 as compared to the preceding year.

## FINANCIAL RESULTS

Consolidated sales of Acklands for the year ended November 30, 1969 were $134,900,759 as compared to $116,705,941 in 1968, an increase of 15.6%. Net income was $3,175,441 against $3,370,290 (as restated) in the previous year. As a result of carry-forward of prior years' losses in the acquired companies, your directors do not anticipate a tax liability for 1969. It should be noted that in certain subsidiary companies there are still $2,694,282 of prior years' losses available for deduction from future earnings.

As recommended by the company's auditors, the basis of accounting for income taxes was changed in 1969, set out in detail in the notes to the consolidated financial statements forming part of this report. Consequently, 1968 earnings figures have been restated to allow for meaningful comparison.

Assuming the future conversion of all the presently outstanding 897,285 third preference shares, your company's earnings (after preference dividends) amounted to $1.12 per common share, as compared to $1.29 (on a restated basis) in 1968. Subscribing to the principle of full disclosure, as advocated by the financial community, your management has provided additional figures of per share earnings based on various methods of calculating the effects of future dilutions. These figures are shown in the "Highlights" and in the "10 Year Record of Growth".

## CAPITAL STRUCTURE

No major change took place in 1969 in your company's equity situation and no new capital debt was incurred during the year under review. The number of common shares outstanding at November 30, 1969 of 1,571,984 will be increased this year to 1,601,984 by the conversion of 30,000 third preference shares, to be effected under a formula related to profits. Correspondingly, the number of outstanding third preference shares will be reduced to 867,285.

## REORGANIZATION AND EXPANSION

The most important achievement of the year was the absorption and full integration of the Ashdown organization into Acklands' operational structure.

With the task successfully completed, your directors are now in a position to assess fully the advantages of this acquisition and its contribution to the overall growth of Acklands. There is no doubt in the minds of your directors that this was an important step forward in the continuing expansion of your company. It broadened and extended the merchandising coverage of Acklands,

particularly with regard to mercantile, builders' hardware and major appliances. It also expanded the company's market for industrial products in the Prairies.

Ashdown's industrial hardware business has been integrated into Acklands' own outlets in Winnipeg and Edmonton.

Similarly, builders' hardware formerly handled by Ashdown is now marketed through Acklands' contract hardware division.

Ashdown's mercantile division has been absorbed completely into Acklands' "Thrifty Valu" program which has been expanded in 1969 to include some 750 franchised dealers.

The Thrifty Valu operation is computerized and works from a central location in Winnipeg. A modern building has been rented, providing 70,000 sq. ft. of space for hardware warehousing. The old and obsolete Ashdown warehouse has been vacated; situated on valuable land, the property is now for sale. Other Thrifty Valu warehouses are located in major cities across the country.

As to other Acklands' divisions, your directors are pleased to report further steady progress during 1969.

The automotive and industrial division continues to be the mainstay of your company's business, with sales in 1969 of more than $80 million. This is an increase of 14.2% over last year's figure.

Shareholders will be pleased with the progress of your company's electronics division, operating mainly in western Canada. Basically a wholesale operation, this division also sells directly to major users of electronic equipment. Apart from supplying a large range of modern and often highly complex equipment, this division designs and builds complete electronic systems and trains customers' personnel in their use at its audio-visual studio in Edmonton.

Another sector of your company's activities, Western Automotive Rebuilders, though relatively small in comparison with other Acklands'

View of Acklands' audio-visual studio in Edmonton.

divisions, is making noteworthy progress in developing larger sales volume. Western Automotive Rebuilders re-manufactures engines and other automotive assemblies in two plants located in Saskatoon and Calgary. Some 8,000 engines are rebuilt each year for the automotive repair trade. Sold under the Blue Seal label, they carry a warranty of 12,000 miles and there are 75 warranty depots across the western provinces to provide warranty service if needed. It may be worth noting that this operation and Acklands' automotive division, share an in-built "recession resistant" characteristic. When, due to slowdowns or cyclic changes in the economy, the sales of new vehicles faces a temporary decline, demand for re-built engines, assemblies and spare parts invariably shows a corresponding increase.

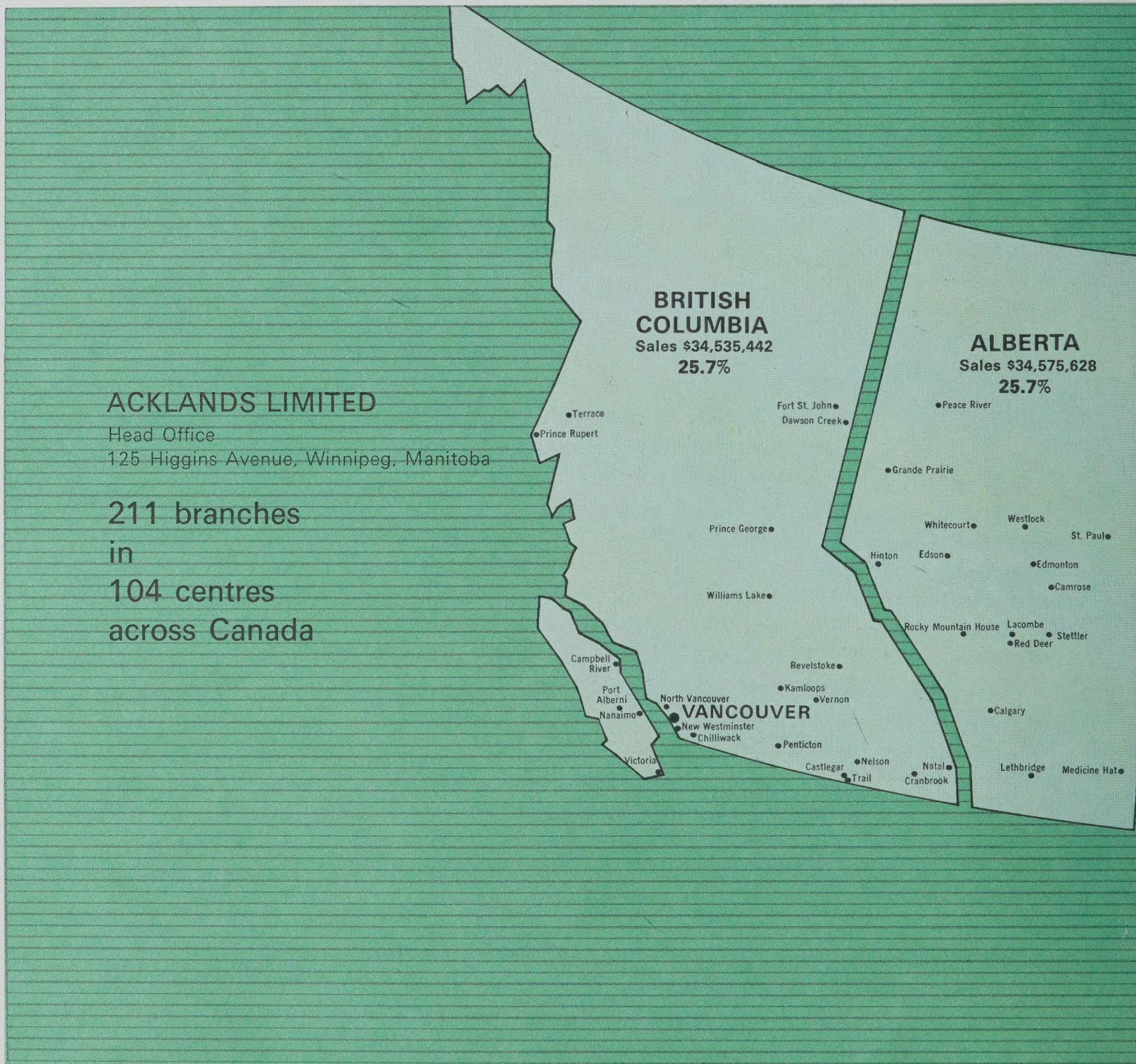
The George Taylor Hardware Company underwent a thorough re-organization in 1969 including staff and product range. All administrative

functions have been moved to Acklands' Hamilton offices.

The Ontario division, as a whole, made good progress in 1969 despite widespread strikes in the construction, steel and mining industries. A further expansion of this division is being considered. Steel Distributors Limited, a wholly-owned subsidiary of your company, has recently enlarged its facilities in Toronto. A new extension to the existing building was completed in 1969 adding some 12,000 sq. ft. to its production and storage area.

Steel Distributors is a service centre specializing in the processing of sheet and strip steel. New equipment, particularly a "cut-to-length" installation, will increase substantially its productive capacity and ability to provide better service to customers.

During the year under review your company ex-




## British Columbia
Campbell River, Castlegar, Cranbrook, Chilliwack, Dawson Creek, Fort St. John, Kamloops, Nanaimo, Natal, New Westminster, Nelson, North Vancouver, Penticton, Port Alberni, Prince George, Prince Rupert, Revelstoke, Terrace, Trail, Vancouver, Vernon, Victoria, Williams Lake

## Alberta
Calgary, Camrose, Edmonton, Edson, Grande Prairie, Hinton, Lacombe, Lloydminster, Lethbridge, Medicine Hat, Peace River, Red Deer, Rocky Mountain House, St. Paul, Stettler, Westlock, Whitecourt

## Manitoba
Brandon, Dauphin, Flin Flon, Fort Garry, Lynn Lake, Neepawa, Selkirk, St. Boniface, Swan River, Portage La Prairie, The Pas, Thompson, Transcona, Winnipeg

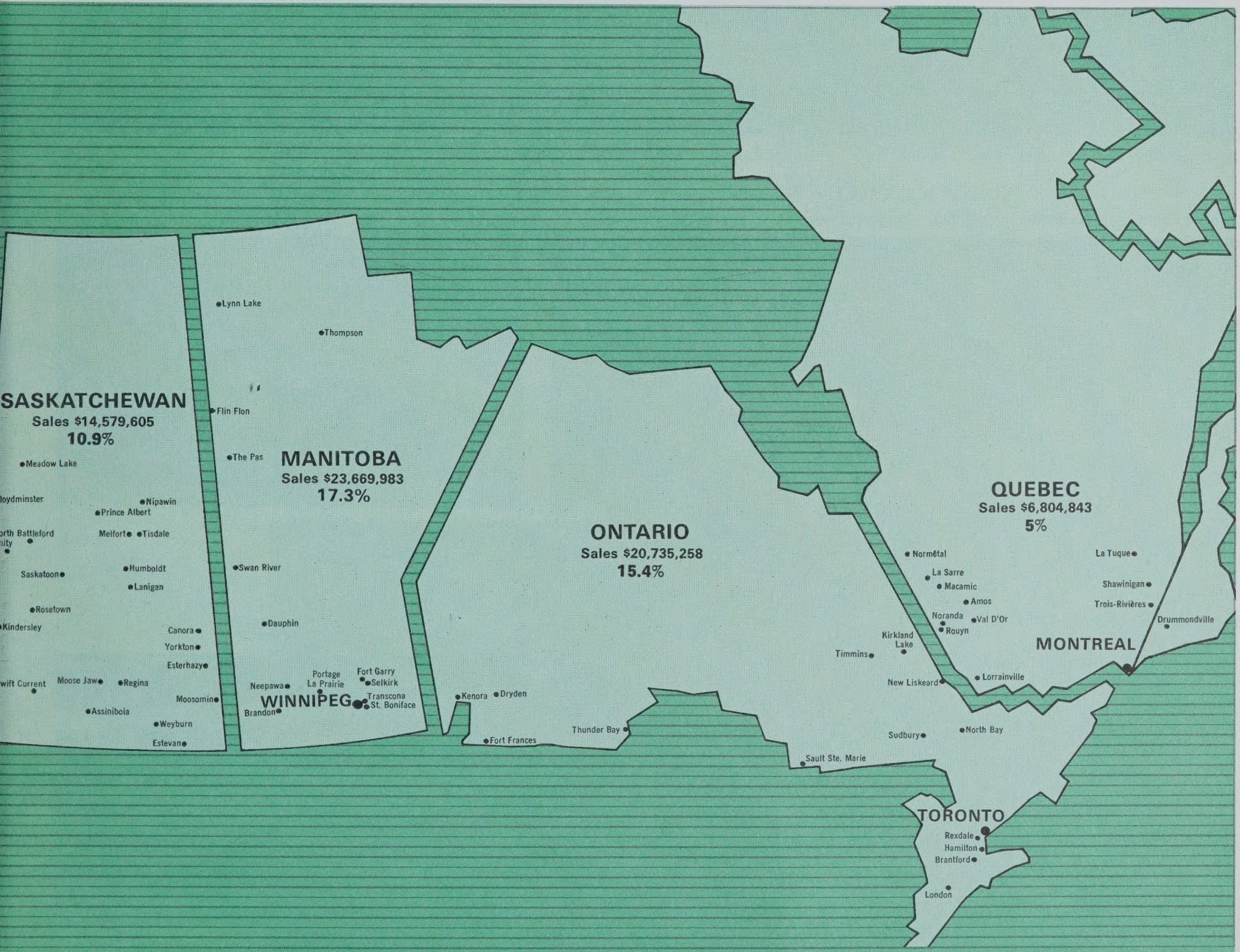
panded its contract hardware division to provide a complete package of frames and doors (in both wood and metal) for commercial and residential building contractors.

Keeping pace with industrial developments and emerging new business opportunities across Canada, your company opened new branches, in British Columbia (one), in Alberta (four) and in Saskatchewan (two).

## IMPORT DIVISION

Westward Distributors, another Acklands' division, was expanded to operate as your company's autonomous importing organization. Agreements covering the supply of a wide range of products have been concluded with a number of manufacturers around the world.

During the past year, nearly 300 new items of merchandise were tested as to quality and marketability and a number of them have been

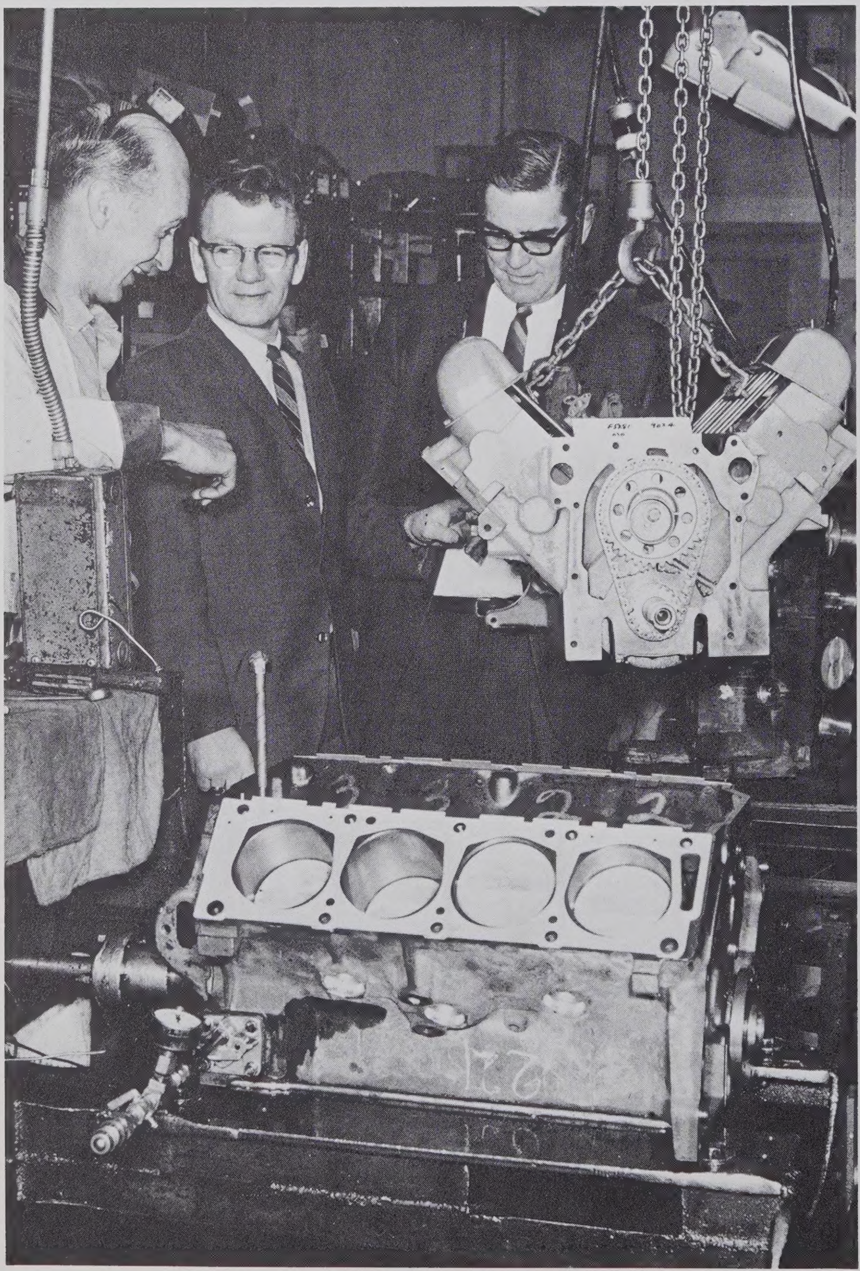


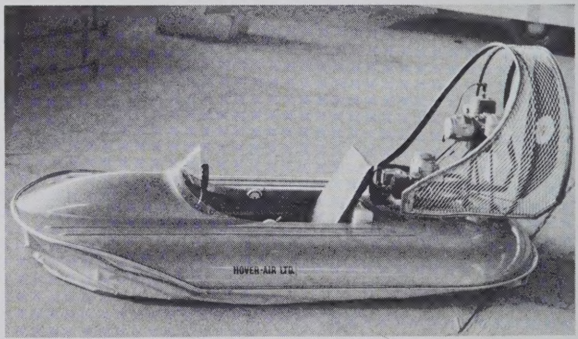

### Saskatchewan
Assiniboia, Canora, Esterhazy, Estevan, Humboldt, Kindersley, Lanigan, Meadow Lake, Melfort, Moose Jaw, Moosomin, North Battleford, Nipawin, Prince Albert, Regina, Rosetown, Saskatoon, Swift Current, Tisdale, Unity, Weyburn, Yorkton

### Ontario
Brantford, Dryden, Fort Frances, Hamilton, Kenora, Kirkland Lake, London, New Liskeard, North Bay, Rexdale, Sault Ste. Marie, Sudbury, Thunder Bay, Timmins, Toronto

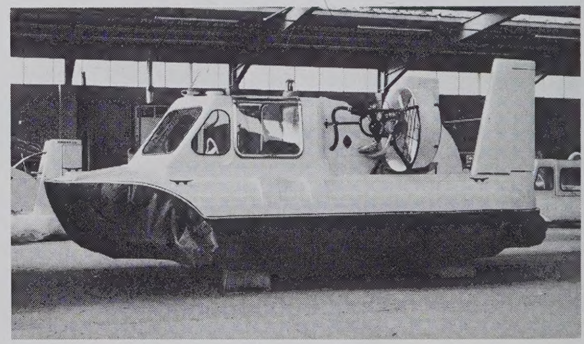
### Quebec
Amos, Drummondville, La Sarre, La Tuque, Lorrainville, Macamic, Montréal, Noranda, Normétal, Rouyn, Shawinigan, Trois-Rivières, Val d'Or

The automotive and industrial branch in Saskatoon – one of Acklands' modern building designs.





The Hoverhornet pleasure craft.


The Hoverhawk, a Tri-motor multi-purpose hovercraft.

Left: One of Western Automotive Rebuilders' plants.

accepted as regular lines by Acklands' own branches as well as by outside distributors. At present the breakdown of imports is: 60% industrial hand tools, 25% mercantile, and 15% automotive accessories and other items.

In addition to the two established branches in Vancouver and Toronto a new Westward Distributors' operation has just been started in Winnipeg to serve the Prairie Provinces.

Early in December of 1969 Westward extended its activities into the United States. Operating under the name of Peerless International Inc., it has started distributing imported automotive and industrial hand tools in the American market. Your directors are confident that Westward Distributors will play an important part in Acklands' growth, acting not only as one of the suppliers of the company's own requirements but also as a distributor of imported goods to wholesalers in Canada and the United States.

## NEW DEVELOPMENTS

A development that holds great promise of success is a recently concluded agreement with Hover-air Limited of Peterborough, England.

H.C. Paul Limited, a division of Acklands, has

A typical Acklands' warehouse operation.

been named exclusive distributor of a British line of hovercraft for Canada and the United States. The first shipment of 50 vehicles is expected to arrive in Winnipeg before the end of April.

Your management believes that the hovercraft will open up a whole new era of transportation both for commercial and recreational purposes.

A network of master dealerships throughout Canada and the U.S. will be set up in anticipation of a large sales potential.

Following the established pattern of gradual integration, your management changed the name of its Quebec subsidiary, Delisle Ltée to Acklands (Quebec) Limited, effective December 1, 1969. At the same time, DAL Warehousing Ltd. was renamed W.W.D. (Quebec) Ltd.

The former Delisle operation will be expanded to include new industrial lines, in addition to automotive products already carried. This will enable Acklands (Quebec) Limited to offer a much broader range of goods and services to such new customer groups as mines, pulp and paper companies, metal fabricators, road contractors and others.

## OUTLOOK

Your directors do not anticipate any further major deterioration of economic conditions in Canada. This optimism is founded on our unshakeable belief in the basic soundness of the Canadian economy, on the country's great natural resources and its steadily growing population. Though obviously not immune to conditions created by tight money and high interest rates, your directors are confident that this temporary and hopefully, short-lived situation will not impede the continuing growth of your company during the current year.

This growth should come through further organizational improvements, increased economies and the opening of new branches. Further corporate acquisitions are also being considered.

We regret to report that, owing to pressure of other work, Mr. Guy L. Hudon has been forced to resign from the board of directors. We take this opportunity of thanking Mr. Hudon for the valuable services rendered to the company during his tenure.

Once again, as in previous years, we wish to acknowledge the efforts and achievements of your company's management team at all levels of responsibility as well as the loyalty and devotion of our entire staff.

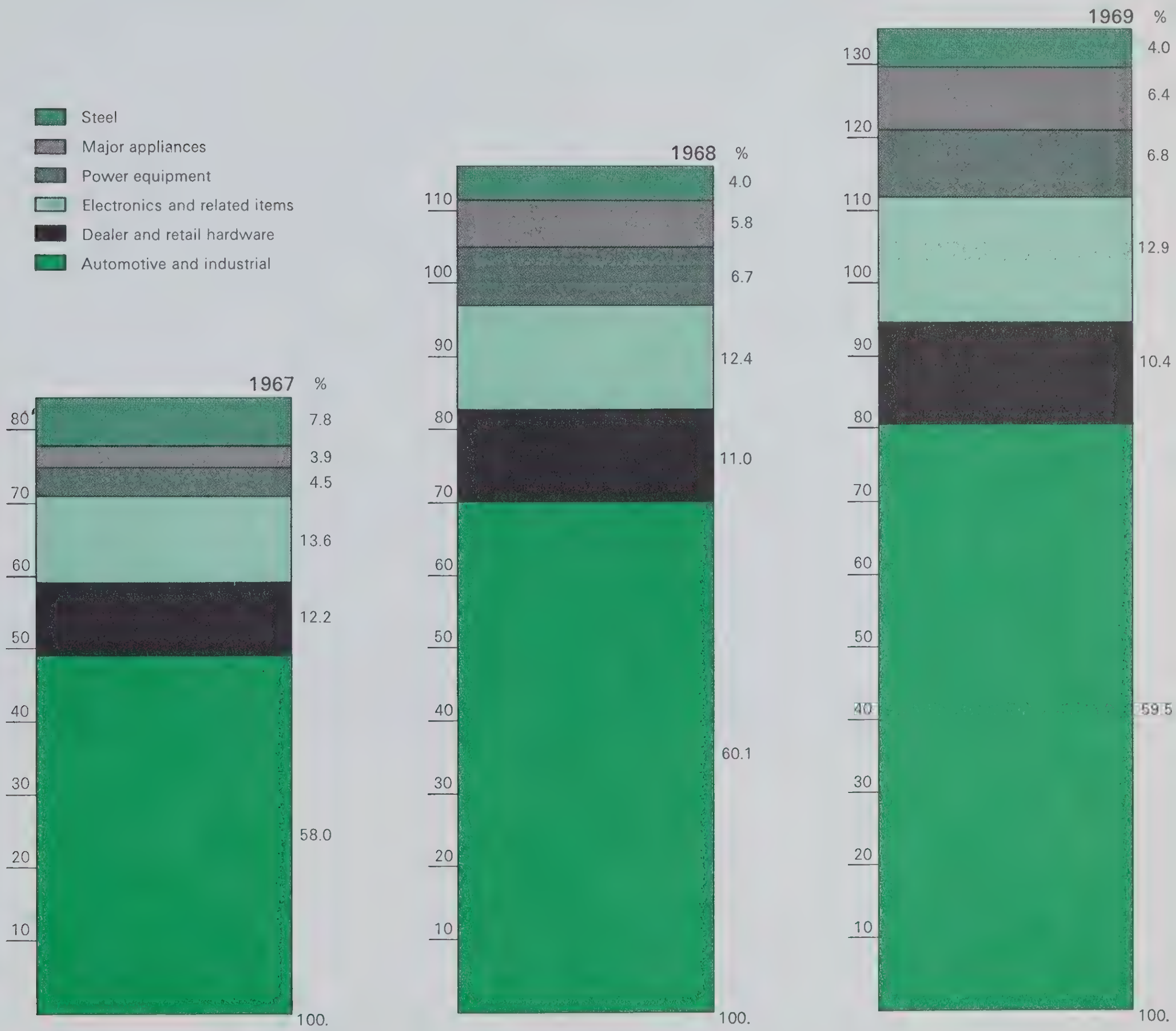
On behalf of the board of directors,

L. Wolinsky,
*Chairman*

H. Bessin,
*President*

(March 20, 1970)

## Analysis of Sales



# Consolidated Balance Sheet November 30, 1969 (with comparative figures at November 30, 1968)

| Assets | 1969 | 1968 |
|---|---|---|
| **Current assets** | | |
| Cash | $ 3,252,810 | $ 911,663 |
| Accounts receivable | 24,732,673 | 24,328,303 |
| Inventories, at the lower of cost and net realizable value | 45,309,149 | 39,130,649 |
| Prepaid expenses | 271,373 | 433,943 |
| | 73,566,005 | 64,804,558 |
| **Other assets** | | |
| Investment in 50% owned company (note 1) | 195,307 | 124,698 |
| Special refundable tax | 74,994 | 88,107 |
| Cash for first preference share purchase | 50,000 | 50,000 |
| Mortgages and lien notes receivable and other investments, at cost | 862,733 | 611,867 |
| | 1,183,034 | 874,672 |
| **Fixed assets** (note 2) | | |
| Land, buildings, equipment and leasehold improvements, at cost | 25,515,376 | 25,680,926 |
| Less accumulated depreciation | 12,237,574 | 12,136,505 |
| | 13,277,802 | 13,544,421 |
| **Deferred income tax charges** (note 3) | 1,055,504 | 1,115,927 |
| | $ 89,082,345 | $ 80,339,578 |

Approved by the Board

Nathan Starr, Director

George Forzley, Director

## Auditors' Report

**To the Shareholders of Acklands Limited**

We have examined the consolidated balance sheet of Acklands Limited and its subsidiary companies as at November 30, 1969 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as

| Liabilities | 1969 | 1968 |
|---|---|---|
| **Current liabilities** | | |
| Bank advances (note 4) | $ 18,643,259 | $ 13,587,566 |
| Accounts payable and accrued liabilities | 21,888,904 | 20,006,471 |
| Taxes payable | 393,450 | 342,124 |
| Principal due within one year on long-term debt | 859,708 | 847,539 |
| | 41,785,321 | 34,783,700 |
| **Long-term debt** (note 5) | 18,650,778 | 19,291,258 |
| **Interest of minority shareholders in subsidiary companies** | 394,881 | 552,305 |
| **Shareholders' Equity** | | |
| **Capital stock** (note 6) | 18,063,588 | 17,962,631 |
| **Excess of book value of subsidiary companies over cost of shares at acquisition** | 1,493,630 | 1,464,088 |
| **Contributed surplus,** arising on purchase of first preference shares | 8,029 | 7,090 |
| **Retained earnings** | 8,686,118 | 6,278,506 |
| | 28,251,365 | 25,712,315 |
| | $ 89,082,345 | $ 80,339,578 |

**Contingent liabilities** (note 7)

**Long-term leases** (note 8)

at November 30, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year after giving retroactive effect to the change in accounting practice explained in note 3 to the financial statements, with which change we concur.

Thorne, Gunn, Helliwell & Christenson

Winnipeg, Canada
February 16, 1970

Chartered Accountants

## Consolidated Statement of Income

Year ended November 30, 1969 (with comparative figures for 1968)

| | 1969 | 1968 |
|---|---|---|
| Sales | $134,900,759 | $116,705,941 |
| Cost of sales, selling and administrative expenses before the following | 127,446,920 | 109,903,155 |
| | 7,453,839 | 6,802,786 |
| Deduct | | |
| Depreciation | 812,471 | 768,405 |
| Interest on long-term debt | 1,533,010 | 1,019,184 |
| Other interest | 1,488,101 | 1,303,285 |
| Remuneration of directors and senior officers | 538,137 | 511,412 |
| Gain on sale of fixed assets | (104,449) | (46,061) |
| | 4,267,270 | 3,556,225 |
| Income before income taxes and extraordinary items | 3,186,569 | 3,246,561 |
| Income taxes (note 3) | 1,666,006 | 1,699,163 |
| Income before extraordinary items | 1,520,563 | 1,547,398 |
| Extraordinary items | | |
| Gain on sale of subsidiary company | — | 353,870 |
| Income tax reduction realized on the application of prior years' losses (note 3) | 1,678,880 | 1,870,968 |
| Non-recurring expenses | — | (363,380) |
| | 1,678,880 | 1,861,458 |
| Net income for the year before interest of minority shareholders | 3,199,443 | 3,408,856 |
| Interest of minority shareholders | 24,002 | 38,566 |
| **Net income for the year** | $ 3,175,441 | $ 3,370,290 |

## Consolidated Statement of Retained Earnings

Year ended November 30, 1969 (with comparative figures for 1968)

| | 1969 | 1968 |
|---|---|---|
| Balance at beginning of year | | |
| As previously reported | $ 5,929,520 | $ 4,080,213 |
| Adjustment for deferred income taxes (note 3) | 348,986 | 210,167 |
| As restated | 6,278,506 | 4,290,380 |
| Add net income for the year | 3,175,441 | 3,370,290 |
| | 9,453,947 | 7,660,670 |
| Deduct | | |
| Dividends on | | |
| First preference shares | 54,067 | 56,555 |
| Second preference shares | 357,147 | 145,555 |
| Common shares | 356,615 | 170,354 |
| | 767,829 | 372,464 |
| Write off of debenture, bond and share issue costs | — | 1,009,700 |
| | 767,829 | 1,382,164 |
| **Balance at end of year** | $ 8,686,118 | $ 6,278,506 |

## Consolidated Statement of Source and Application of Funds

Year ended November 30, 1969 (with comparative figures for 1968)

| | 1969 | 1968 |
|---|---|---|
| **Source of funds** | | |
| Income before extraordinary items | $ 1,520,563 | $ 1,547,398 |
| Items not involving current funds | | |
| Depreciation | 812,471 | 768,405 |
| Gain on sale of fixed assets | (104,449) | (46,061) |
| Income taxes | 1,739,303 | 1,732,149 |
| Increase in equity in 50% owned company | (100,609) | (59,256) |
| | 3,867,279 | 3,942,635 |
| Sale of fixed assets | 1,379,257 | 431,944 |
| Issue of capital stock | — | 6,132,856 |
| Working capital of subsidiary companies at acquisition | — | 8,210,274 |
| Proceeds of long-term debt | — | 17,795,889 |
| Sale of investments | — | 778,517 |
| | 5,246,536 | 37,292,115 |
| **Application of funds** | | |
| Additions to fixed assets | 1,819,088 | 1,667,592 |
| Reduction of long-term debt | 627,760 | 7,062,274 |
| Dividends | 767,829 | 372,464 |
| Investment in subsidiary companies | 50,607 | 10,520,636 |
| Mortgages receivable acquired, net | 214,200 | — |
| Debenture, bond and share issue costs | — | 818,621 |
| Non-recurring expenses | — | 363,380 |
| Other | 7,226 | 162,998 |
| | 3,486,710 | 20,967,965 |
| **Increase in working capital** | 1,759,826 | 16,324,150 |
| **Working capital at beginning of year** | 30,020,858 | 13,696,708 |
| **Working capital at end of year** | $ 31,780,684 | $ 30,020,858 |

# Notes to Consolidated Financial Statements Year ended November 30, 1969

### 1. Basis of Consolidation

The consolidated financial statements include the accounts of all subsidiary companies, all of which are wholly-owned, with the exception of minority interest in preferred shares of two subsidiaries and a small minority interest in common shares of one subsidiary.

It is the company's practice to include in income its equity in net earnings of companies 50% owned and reflecting the investment in such companies at the value of their underlying net tangible assets.

### 2 Fixed Assets

| | 1969 | | | 1968 |
|---|---|---|---|---|
| | Cost | Accumulated depreciation | Net | Net |
| Land | $ 2,394,361 | | $ 2,394,361 | $ 2,581,823 |
| Buildings | 13,072,796 | $ 5,459,996 | 7,612,800 | 8,088,931 |
| Equipment | 9,099,758 | 6,436,827 | 2,662,931 | 2,614,836 |
| Leasehold improvements | 948,461 | 340,751 | 607,710 | 258,831 |
| | $25,515,376 | $12,237,574 | $13,277,802 | $13,544,421 |

Depreciation has been recorded on a basis to amortize the cost of the assets over their estimated useful life.

### 3. Income Taxes

In prior years the companies have reflected in earnings income taxes currently payable or recoverable. In 1969, as recommended by the Accounting and Auditing Research Committee of The Canadian Institute of Chartered Accountants, the companies have changed their basis of accounting for income taxes by also reflecting in earnings income taxes deferred by claiming capital cost allowances which differ from depreciation recorded in the accounts. The accumulated total of such income tax deferments for prior years has been recorded by adjustments to "Consolidated retained earnings" and "Excess of book value of subsidiary companies over cost of shares at acquisition". 1968 figures in the financial statements have been restated and are shown as though the change to the new basis of recording income taxes had been made at the beginning of 1968.

In certain of the companies, losses of $2,694,282 are deductible in determining future years' income taxes payable. These losses are available for deduction until the end of 1971 and then reduce to the following amounts

| | |
|---|---|
| Available in 1972 | $2,669,081 |
| Available in 1973 | 2,249,664 |
| Available in 1974 | 338,715 |

The tax effect of these losses is not recognized in the accounts.

### 4. Bank advances

Bank advances are secured by the assignment of accounts receivable, a first floating charge on inventories and a junior floating charge on other assets.

### 5. Long-term debt

| | 1969 | 1968 |
|---|---|---|
| Acklands Limited | | |
| 7½% Unsecured Convertible Debentures Series A, maturing June 15, 1988 | $ 9,985,000 | $10,000,000 |
| Non-interest bearing notes, payable $100,000 January 3, 1970 to 1973 inclusive | 400,000 | 500,000 |
| 7¾% First Mortgage Bonds Series A, maturing August 15, 1986, payable $200,000 February 15 and August 15, 1970 to 1986 inclusive | 6,800,000 | 7,200,000 |
| J. J. Dawson Limited | | |
| 5.75% Serial debentures, maturing January 1, 1970 | 20,000 | 100,000 |
| Delisle Limited (see note) | | |
| 7% Sinking Fund Debentures, maturing May 1, 1973, payable $15,500 May 1, 1970 to 1972 inclusive with the balance payable May 1, 1973 | 260,000 | 275,500 |
| 6% to 9% Mortgages and agreements, payable in monthly instalments | 2,045,486 | 2,063,297 |
| | 19,510,486 | 20,138,797 |
| Less principal included in current liabilities | 859,708 | 847,539 |
| | $18,650,778 | $19,291,258 |

**Note:** There are common share purchase warrants of Delisle Limited outstanding which entitle the holders to purchase 8,000 common shares of Delisle Limited at $10.00 per share to May 1, 1973 and 10,590 common shares at $12.50 per share to May 1, 1970 and at $15.00 per share thereafter to May 1, 1973.

## 6. Capital stock

(a) Authorized and issued

| | Authorized | | Issued | |
|---|---|---|---|---|
| | Shares | Amount | Shares | Amount |
| 6% Cumulative, non-voting first preference shares, | | | | |
| par value $25 00 each, redeemable at $26.25 each | 36,371 | $ 909,275 | 36,371 | $ 909,275 |
| Deduct purchased for cancellation during the year | 435 | 10,875 | 435 | 10,875 |
| | 35,936 | 898,400 | 35,936 | 898,400 |
| Non-voting second preference shares issuable in series, | | | | |
| par value $16 each | 1,000,000 | 16,000,000 | | |
| Series A—6% cumulative, convertible and | | | | |
| redeemable at $17 each | 373,517 | 5,976,272 | 366,741 | 5,867,856 |
| Add issued during the year | — | — | 6,052 | 96,832 |
| | 373,517 | 5,976,272 | 372,793 | 5,964,688 |
| Third preference shares, convertible, non-participating, | | | | |
| voting, par value $5 each | 1,237,265 | 6,186,325 | 1,237,265 | 6,186,325 |
| Deduct converted to common shares during the year | 339,980 | 1,699,900 | 339,980 | 1,699,900 |
| | 897,285 | 4,486,425 | 897,285 | 4,486,425 |
| Common shares without par value | 2,619,975 | — | 1,230,954 | 4,999,175 |
| Add issued during the year by conversion of | | | | |
| third preference shares | 339,980 | — | 339,980 | 1,699,900 |
| 7½% Unsecured Convertible Debentures | — | — | 1,050 | 15,000 |
| | 2,959,955 | — | 1,571,984 | 6,714,075 |
| | | | | $18,063,588 |

| | Expiry Date | Price | Number of common shares reserved |
|---|---|---|---|
| Common shares reserved for issue | | | |
| Upon conversion of 7½% Unsecured Convertible Debentures Series A | June 14, 1978 | $14.28 | 698,950 |
| On exercise of share purchase warrants issued with 7¾% First Mortgage Bonds Series A | September 1, 1978 | $14.29 | 45,000 |
| | | | 743,950 |

(b) Subsequent transactions

30,000 third preference shares are to be converted into 30,000 common shares, in accordance with the conversion rights attached thereto, thereby decreasing the issued and authorized third preference share capital by $150,000 and increasing the authorized and issued common share capital by a like amount.

## 7. Contingent liabilities

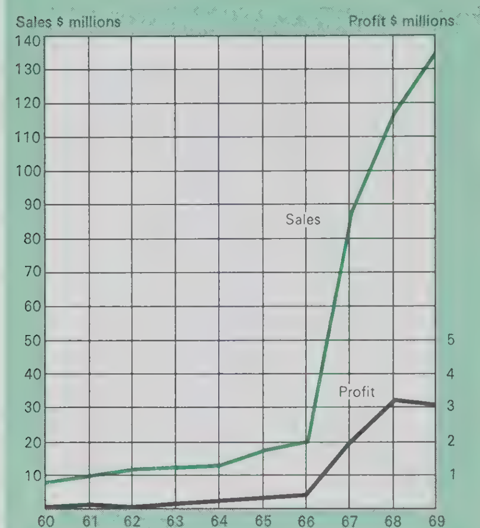
Conditional sales agreements assigned with recourse and other guarantees total $671,904.
Outstanding bank letters of credit amount to $516,045.

## 8. Long-term leases

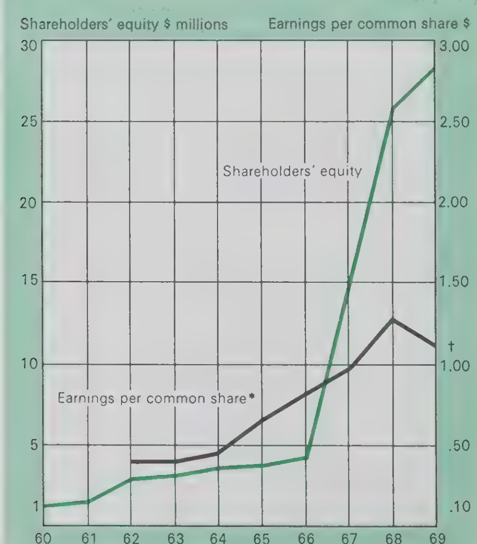
The companies have commitments under leases extending through 1995 which, after recoveries from sub-tenants totalling $1,638,631, call for future net rentals of $3,609,316.

# 10 Year Record of Growth

Acklands Limited: 10 year sales and profits




Acklands Limited: Earnings per common share and shareholders' equity




*Not comparable prior to 1962

†After allowing for complete conversion of third preference shares

| | 1969 | 1968 |
|---|---|---|
| **Sales** | **$134,900,759** | **$116,705,941** |
| Depreciation | 812,471 | 768,405 |
| Interest on long-term debt | 1,533,010 | 1,019,184 |
| Earnings for the year | | |
| Including extraordinary items | 3,175,441 | 3,370,290 |
| Before extraordinary items | 1,496,561 | 1,508,832 |
| Dividends paid | | |
| Preference shareholders | 411,214 | 202,110 |
| Common shareholders | 356,615 | 170,354 |
| **Working capital** | 31,780,684 | 30,020,858 |
| Fixed assets, net | 13,277,802 | 13,544,421 |
| Long-term debt | 18,650,778 | 19,291,258 |
| **Shareholders' equity** | 28,251,365 | 25,712,315 |
| **Total assets** | 89,082,345 | 80,339,578 |
| **Earnings per share** (see notes) | | |
| Including extraordinary items | | |
| Basic | 1.12 | 1.29 |
| Fully diluted | .98 | 1.18 |
| Before extraordinary items | | |
| Basic | .44 | .53 |
| Fully diluted | .51 | .55 |
| Dividends paid per common share | .24 | .16 |
| **Equity per share** (combined common and third preference shares) | 8.66 | 7.67 |
| **Number of Branches** | 211 | 204 |

***Notes:***

I. The calculation of basic earnings per share has been made using the weighted monthly average number of common and third preference shares outstanding in each year and the net income of the company, both before and including extraordinary items, and after first and second preference share dividends.

II. In calculating fully diluted earnings per share, the weighted monthly average number of common and third preference shares outstanding in each year, has been calculated assuming

(a) full conversion of the convertible debentures and second preference shares on the dates of issue, and

| 1967 | 1966 | 1965 | 1964 | 1963 | 1962 | 1961 | 1960 |
|---|---|---|---|---|---|---|---|
| 84,834,234 | $ 19,838,899 | $ 16,899,600 | $ 12,578,025 | $ 12,272,781 | $ 11,526,144 | $ 9,342,251 | $ 7,564,737 |
| 686,758 | 222,874 | 129,921 | 85,530 | 64,677 | 47,306 | 44,849 | 24,396 |
| 538,647 | 153,906 | 128,663 | 109,718 | 104,783 | 80,658 | 73,971 | 24,274 |
| 2,097,343 | 459,915 | 312,637 | 183,235 | 169,466 | 105,670 | 207,140 | 205,502 |
| 807,343 | 459,915 | 312,637 | 183,235 | 169,466 | 105,670 | 207,140 | 167,502 |
| 59,082 | 59,731 | 60,000 | 60,000 | 60,000 | 38,800 | | 4,935 |
| 83,197 | 58,018 | 45,848 | 45,848 | 40,230 | 40,230 | 75,575 | 24,184 |
| 13,696,708 | 3,555,793 | 3,345,521 | 2,864,230 | 2,421,916 | 2,938,422 | 1,429,138 | 1,562,113 |
| 10,157,540 | 2,741,504 | 2,770,064 | 1,913,436 | 1,784,826 | 1,251,377 | 579,863 | 564,469 |
| 8,430,044 | 2,431,154 | 2,644,004 | 1,565,192 | 1,408,798 | 1,506,740 | 814,743 | 983,907 |
| 15,971,495 | 4,089,809 | 3,655,283 | 3,448,494 | 3,121,107 | 3,035,871 | 1,471,525 | 1,341,420 |
| 55,653,611 | 12,232,692 | 11,062,262 | 8,693,763 | 8,394,397 | 7,527,987 | 5,505,159 | 4,411,105 |
| .91 | .82 | .56 | .27 | .27 | .18 | | |
| .89 | .66 | .43 | .27 | .27 | .18 | | |
| .33(III) | .82 | .56 | .27 | .27 | .18 | | |
| .33 | .66 | .43 | .27 | .27 | .18 | | |
| .16 | .12 | .10 | .10 | .10 | .10 | | |
| 6.30 | 6.41 | 5.79 | 5.34 | 5.27 | 5.06 | | |
| 150 | 36 | 33 | 30 | 27 | 22 | 19 | 15 |

(b) the exercising of the outstanding common share purchase warrants on the dates of issue

Net income used in this calculation, both before and including extraordinary items, reflects a reduction in interest costs and the related effect on income taxes resulting from the above assumptions.

III. The decrease from 1966 was caused by the creation of 1,857,240 convertible third preference shares in 1967.

IV. Earnings, dividends, and equity per share have not been shown prior to 1962 as these would not be comparable.

ANNUAL REPORT 1969 ACKLANDS LIMITED Head Office: 125 Higgins Avenue, Winnipeg, Manitoba

ACKLANDS LIMITED

Head Office: 125 Higgins Avenue, Winnipeg, Manitoba

# Acklands Limited

## Interim Financial Report

for the six months ended May 31, 1969

# Acklands Limited

Dear Shareholder:

On behalf of the board of directors I have pleasure in presenting to you results of Acklands' operations for the six months ended May 31, 1969, with comparative figures for 1968.

As you will note, the sales of your company were \$62,441,536—an increase of 24% over the same six months in 1968. Significantly, net operating profit for the period rose from \$900,419 in 1968 to \$1,213,606 in 1969—a healthy jump of 34%. Per share earnings for the six months' operations, calculated on the basis of outstanding common and convertible third preference stock, were 41¢ as compared to 35¢ in 1968.

Overall per share profit of 45¢ for the period was below the 49¢ figure of last year, owing to smaller gains on non-recurring extraordinary transactions.

The increased net operating profit margin is the result of the internal consolidation effort made by your management, aimed at improving the efficiency of all Acklands' operations.

Exceptional progress has been made in this direction within the original Acklands' branches and most of the major subsidiaries. However, gains in these areas were partially offset by substantial development and reorganization costs incurred in a few of the more recently acquired subsidiaries. It is not anticipated that these recent acquisitions will contribute significantly to 1969 final profits.

In an era of high and unstable interest rates, increased wages, rising costs of municipal services and mounting real estate and business taxes, it becomes more and more difficult to predict the course of developments and to make profit forecasts with a reasonable degree of accuracy and reliability.

This notwithstanding, your directors are confident that increased operating efficiency and an imaginative approach to marketing, will give Acklands the competitive edge needed for its continuing growth and profitability.

On behalf of the board,

Hyman Bessin

Hyman Bessin,
*President*

Winnipeg, Manitoba,
July 15, 1969

## Consolidated Financial Data*

For the six months ended May 31, 1969
(with comparative figures for 1968)

| | Six Months to May 31 | |
|---|---|---|
| | **1969** | 1968 |
| **Sales** | **\$62,441,536** | \$50,253,525 |
| Operating Profit | **1,373,076** | 1,009,805 |
| **Deduct:** Minority interest (dividends on preferred shares of subsidiary companies) | **9,470** | 17,386 |
| Provision for corporation income taxes | **150,000** | 92,000 |
| **Net Operating Profit** | **1,213,606** | 900,419 |
| Gain on sale of shares of subsidiary company | — | 353,870 |
| Gain on sale of fixed assets | **103,839** | — |
| Net Profit | **\$ 1,317,445** | \$ 1,254,289 |
| Dividends paid to preference shareholders: | | |
| First Preference | **\$ 27,115** | \$ 28,602 |
| Second Preference | **178,207** | — |
| | **\$ 205,322** | \$ 28,602 |
| Earnings available to common shareholders | | |
| From operations | **\$ 1,008,284** | \$ 871,817 |
| From extraordinary transactions | **103,839** | 353,870 |
| | **1,112,123** | 1,225,687 |
| Common shares outstanding | **1,570,940** | 1,230,954 |
| Convertible third preference shares outstanding | **898,329** | 1,237,265 |
| | **2,469,269** | 2,468,219 |
| Earnings per share—on basis of common and third preference shares combined | | |
| From operations | **0.41** | 0.35 |
| From extraordinary transactions | **0.04** | 0.14 |
| Total | **0.45** | 0.49 |

*Unaudited. Gross margin estimated generally on same basis as that achieved for 1968.